

FISCAL NOTE

SB 1855 - HB 1914

March 26, 2003

SUMMARY OF BILL: Abolishes the local option sales tax. Holds local governments harmless by requiring distributions from the state's general fund. Provides for the aggregate amount to be distributed to be based on the amount of local option sales taxes collected in FY03 times a factor of 1.04 and provides for the annual increase in such amount to be determined by the annual increase in state tax collections. Specifies that a local government's share of the distribution would be determined by such government's share of FY03 collections and for changes in such distribution to be made based on population changes recorded in the census. Provides for local governments to undertake interim censuses at their own cost.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$291,800 One-Time
\$1,574,000,000 Recurring**

Increase Local Govt. Revenues - Exceeds \$35,000,000

Estimate assumes:

- a one-time increase in state expenditures of \$232,700 and a recurring increase of \$7,700 for computer system changes and maintenance.
- a one-time increase in state expenditures for the cost of notifying taxpayers of the change of \$59,100.
- local option sales tax collections for FY03 will be \$1,513,700,000, based on an estimated growth rate of 1.66% from FY02.
- the base for FY04 distributions under the provisions of the bill would be the amount of FY03 collections times a factor of 1.04 (or a 4% growth rate).
- the growth in tax collections will be less than the 4% rate provided for determining FY04 distributions to local governments resulting in their receiving more from sales tax collections in FY04 than they would have in the absence of the bill.
- abolishing the local option sales tax and holding local governments harmless by requiring distributions from the state's general fund will result in an increase in state expenditures exceeding \$1,574,000,000.
- tax revenues that would have remained in the state general fund will be distributed to local governments in an amount estimated to exceed \$35,000,000. Future increases in the amount distributed to local governments would be based on the actual rate of growth of tax collections.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is written in a cursive style with a large, stylized "J" and "D".

James A. Davenport, Executive Director